

## MBAS 505: INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT

Workload : 4 hours per week. - Total credits: 4

Examination : 3 hours 70 marks

Objectives

1. Understand the functioning and objectives of capital markets
2. Identify the risk return characteristics of various financial instruments
3. Write down the fundamental analysis and technical analysis
4. Describe the methods of portfolio construction and the evaluation of the performance of portfolio

Course 1. Acquire the knowledge of capital market and its functions and products.

Outcome: 2. Able to distinguish the investment products based on its risk and return.

3. Able to select and construct best portfolio.

4. Able to provide investment advice to the clients.

Pedagogy : Lectures, assignments, practical exercises, discussions, seminars.

**Module 1: Investment Environment:** Real estates and financial assets - short term & long term - call money, treasury bills, CDs, CPs, LCs, discounting of bills, equities, bonds, debentures, fixed deposits, mutual fund units, tax sheltered saving schemes, life insurance and pension products, securitised and non securitised investments, warrants and convertibles and non-convertibles, financial derivatives, Foreign equities - investment process.

**Module 2: Securities Market:** Primary & secondary - Structure and functioning of the market, stock exchanges- listing, trading and settlement procedures- OTCEI, NSE, BSE, MCX-SX, - important international stock exchanges- depositories - recent developments - stock market indices - BSE SENSEX, BSE -100, BSE-200, Nifty, Dollex and, an overview of other indices - calculation of index.

**Module 3: Risk And Return:** systematic & unsystematic risk - calculation of beta - using beta to estimate return - expected risk & return - Significance of beta in the portfolio theory – estimation of beta from historical share prices, market risk.

**Module 4: Economic, Industry & company analysis:** economic forecasting & investment decision - economic forecasting methods - industry analysis - classification schemes - key characteristics - industry life cycle - company analysis - financial and non-financial factors.

**Module 5: Efficient market theory** – Forms of market efficiency, Weak form efficiency - random walk hypothesis, semi strong and strong form efficiencies – tests for weak, semi-strong and strong form efficiencies.

**Module 6: Technical analysis :** concept - types of charts - Dow theory - price pattern - support and resistance levels - relative strength analysis - moving averages - breadth of the market - volume - momentum - confidence index - contrary opinion theory - oscillators – stochastics - Elliot wave theory.

**Module 7: Portfolio Selection & Portfolio Analysis:** rate of return - indifference curves - calculating expected returns & standard deviations of portfolios - efficient set theorem - concavity of the efficient set - Markowitz model, Sharpe's single index model - diversification, Constructing optimal portfolios using Markowitz's model and Sharpe's models.

**Module 8: Capital asset pricing model** : assumptions -capital market line -security market line -arbitrage pricing theory -factor models -pricing effects -two factor and multiple factor models. Arbitrage Pricing Theory (APT) – Factor Models – Principles of Arbitrage, Arbitrage portfolios, pricing Effects, Multiple Factor models, Identifying the factors.

**Module9: Derivatives:** Options – put and call options, -Trading-margin -valuation-binomial option pricing model –Black-Scholes model -index options. FUTURES -hedgers & speculators -contract -markets -returns -expected & current spot prices -futures options -index future.

**Module 10: Portfolio Revision and Evaluation** – Managed portfolios, Mutual Fund – Concept, history and types, Advantages and disadvantages, Net Asset Value, Indian Mutual Fund Scenario, Performance measurement using Sharpe, Treynor, Jensen, Fama and  $M^2$  measures, information Ratio performance measures, GT Performance Measures.

### Reference Books:

1. Donald E Fischer & Ronald J Jordan -Security Analysis and Portfolio Management-Prentice Hall of India, New Delhi.
2. Gordon J Alexander, William F Sharpe and Jeffery V Bailey- Fundamentals of Investments- Prentice Hall of India, New Delhi.
3. Prasanna Chandra-Investment Analysis and Portfolio Management- Tata Mc Graw Hill, New Delhi.
4. William Sharpe- Portfolio Theory and Capital Markets -McGraw-Hill Ryerson, Limited.
5. V K Bhalla,-Investment Management: Security Analysis and Portfolio Management-S Chand & Company Ltd. New Delhi.
6. James L Farrel - Portfolio management-McGraw-Hill/Irwin.
7. Fairplace, Cormac Butler,D C Gardner – Credit Derivatives - Financial times Prentice Hall .
8. Robert Jarrow&Stuart Turnbull- Derivative Securities - South-Western College Publishing.
9. N D Vohra and B R Bagri - Futures and Options - Tata Mc Graw Hill, New Delhi.
10. Mahajan - Futures & Options -Orient Paperbacks (vision Bks) N Delhi.
11. Albert J. Fredman& Russ Wiles -How mutual funds work - New York Institute of Finance.
12. Sahadevan & Thiripalraju - mutual funds -data, analysis, and interpretation - Prentice Hall of India, New Delhi.
13. Khatri Dhanesh Kumar- Investment Management and Security Analysis- Mc Millan Publishers India Ltd.
14. Ranganatham M., Madhumathi R.- Security Analysis and Portfolio Management- Pearson.
15. Parameshwaran Sunil K.- Futures of options, concepts and applications- Tata McGraw.
16. Punithavathy Pandian-Security Analysis and Portfolio Managemnt-Vikas Publishing House Pvt Ltd., New Delhi.
17. S Kevin-Security Analysis and Portfolio Management - Prentice Hall of India, New Delhi.
18. Dr. V A Avadhani- Investment and Securities Market in India- Himalaya Publishing House, New Delhi.
19. Rajiv Srivastava-Derivatives and Risk Management-Oxford University Press, New Delhi.
20. John C Hull and Sankarshan Basu-Options, Futures and Other Derivatives,-Pearson Education.
21. Barua ,Verma & Raghunathan -Portfolio management- Ahmedabad Indian Institute of Management .

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